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OPEN FORUM On California's Future

Time to take action

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The University of California's preservation as one of the world's leading public institutions of higher learning will take a lot more than teeth gnashing and reminiscing about glory days. It will take hard work, a renewed fiscal discipline and a new approach to budget planning and prioritization by our political leaders in Sacramento.

California faces enormous financial challenges as we work to reconstruct our state and build its future. Our state's fiscal foundation has been eroded by poor planning, lack of prioritization, lack of budget discipline and straightjackets on decision-making. We continue to be plagued by multibillion-dollar deficits, with the shortfall projected by some observers to grow to more than \$8 billion by next July.

Meanwhile, we have an infrastructure of schools, universities, roads, housing and water delivery built to serve just 25 million residents. By 2050, an estimated 60 million people will call California home. What's worse, our infrastructure has decayed; the victim of decades of neglect. To remedy the deterioration and accommodate growth, we will need to invest hundreds of billions of dollars over the next two decades.

Across the fiscal gamut, policymakers need to lengthen their planning sights and formalize prioritization as a decision-making mandate. That is the only way California will be able to both protect the services our state and its people need, and make the capital investments our future demands. And without that planning and priority-setting, we will not be able to permanently fix the structural defects that threaten our fiscal house with collapse.

These are the central themes of the 2007 State of California Debt Affordability Report my office issued on Oct. 1. The report, "Looking Beyond the Horizon: Investment Planning for the 21st Century," offers an unprecedented 20-year look ahead at the state's general fund revenue, expenditures and infrastructure investment. In calling for a new way to view state budgets and put them together, the report says, "The people of California can afford the future we want if we start making smart financial decisions now." An adequately funded University of California system will be a crucial part of that future.

With the economy growing increasingly competitive, technology-based and globalized, our higher education system never has been more important as an engine of opportunity and shared prosperity. In all economic sectors, the education level of our younger generation must rise sharply to ensure they obtain good-paying jobs and a good life for their families, and to help California compete.

Unfortunately, for more than 30 years, state government slowly but surely has been walking away from its duty to adequately support UC. In 1968, the state general fund contributed 35 percent of UC's total revenues. That number has fallen to 17 percent. The per-student support figures are equally disturbing. In real dollars (adjusted for inflation), the state general fund paid more to educate each UC student 39 years ago than it does today. In 2006-07, the general fund contributed \$9,970 per student, compared to around \$16,000 in 1968.

Meanwhile, UC has become more and more dependent on students, their families and other private sources of revenue. UC President Robert C. Dynes publicly wondered recently whether UC would "end up becoming a private institution" as it sought to replace dwindling state funds. Funding for UC - just like every other service dependent on the state general fund - is first and foremost a question of priorities. To begin to solve UC's problems, we, as Californians, must convince our representatives that we place a higher priority on adequate state funding for the system.

We then must see to it that the governor and Legislature translate that new priority into a state budget that can pay for it. They must adopt legislative action to prioritize UC's budget, and then follow through with revenue and expenditure decisions that protect that priority - on an ongoing, long-term basis. It's simple: We correctly value UC as one of our great assets, and make the year-to-year financial commitment needed to preserve that value.

It won't be easy for UC to recover from 30-plus years of dwindling state support. We find ourselves in difficult fiscal straits, but with discipline and an eye on the future, we can steer ourselves free. Success will require tough choices. But for the sake of California's economy, its future and its families, when we make those choices, we must choose UC. And we must make that choice quickly. If we don't, UC's slide toward privatization may become irreversible. UC's is one of thousands of budget fates to be decided as we move toward tomorrow. Along the way, we'll also have to figure out how to provide more health care for our families, a better education for our children, and greener, safer, more livable communities for everyone. And we'll have to find a way to build roads, schools, parks, libraries and other infrastructure assets we can be proud of, and which prepare us for the future.

Increasing government efficiency, and reducing demands on our existing infrastructure so we reduce the need to build new facilities, are important steps we should take. But they will only get us so far. To get the job done, we will have to reduce or eliminate some services, and raise additional revenues through taxes or fees.

Here's the bottom line: Building the future we want will not come free of charge. It will cost money. It will require sacrifice. Ideological purity will have to get soiled. We cannot conduct business as usual and wait for the tooth fairy.

From the treasurer's report

"Budget independence for the University of California. Suppose the State eliminated all its direct General Fund support from the UC system, allowing it to set its own budget and raise revenues to replace the State's share. How much would the State save (assuming there was no commensurate increase in State costs for student financial assistance) Eliminating state support for UC would reduce costs by \$7 billion a year by 2027-28."To read the full report, go to links.sfgate.com/ZBEH. *Bill Lockyer is the Treasurer of the State of California.*